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CONTENTS

INDIA: New Delhi stresses peaceful aspects of its first nuclear detonation. (Page 1)

ISRAEL-LEBANON-SYRIA: Israeli patrol boats shell Palestinian camp in Lebanon. (Page 5)

FRANCE: Giscard wins narrow victory over Mitterrand. (Page 6)

WEST GERMANY: Chancellor Schmidt moves to refurbish government's image. (Page 7)

ISRAEL: Labor Party central committee approves Rabin-led coalition. (Page 7)

25X6

TURKEY: Future of Ecevit government in doubt. (Page 9)

AUSTRALIA: Slim electoral margin for Whitlam government's return to office. (Page 10)

VENEZUELA: President outlines plans to nationalize foreign oil companies. (Page 11)

SOUTH VIETNAM: Communists step up military activity over the weekend. (Page 13)

25X1

SOUTH VIETNAM: Assessment of Situation in Military Region 3. (Page 17)

FOR THE RECORD: (Page 22)

25X1

Page Denied

INDIA: [redacted]

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The detonation occurred at a depth of slightly more than 100 meters and was completely contained, according to the chairman of India's Atomic Energy Commission, Dr. H. N. Sethna.

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Dr. Sethna also claimed that the device was developed entirely by India and that all components, including the plutonium, were produced locally. The device reportedly utilized the "implosion" technique, a more sophisticated approach than the "gun assembly" method used by the US in the bomb dropped on Hiroshima.

Dr. Sethna was noncommittal when asked if any more tests were planned. The New Delhi press, however, reported yesterday that a series of nuclear explosions will be carried out. No program was disclosed, but Indian officials are said to have stated that the purpose would be to develop atomic devices for use in mining, canal construction, and deepening and widening of ports. They deny any intention to produce nuclear weapons, but there undoubtedly will be strong pressures on the government to develop a military capability.

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The decision to go ahead at this time probably was made in order to boost India's sagging international prestige and to divert public attention from the government's mounting domestic problems. The

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Indian press has responded to the test with an out-burst of enthusiasm and national pride.

* * * *

In a hard-hitting public statement, Pakistani Prime Minister Bhutto insisted that Pakistan would never be intimidated by the threat created by India's nuclear capability. He said that Pakistan would attempt to secure political assurances against India's use of such a nuclear threat and that the foreign secretary was being sent to China, France, and the UK, while he himself would raise the matter with Soviet leaders and with officials in Canada.

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Bhutto added that conclusion of a no-war pact, proposed by India in 1971, is out of the question now because such a pact would amount to capitulation to blackmail.

Peking's initial reaction was a terse, factual announcement broadcast by the New China News Agency's domestic service some 24 hours after the test. Chinese spokesmen have thus far refused to make any comment to the press.

China has much to sort out in formulating a substantive response. Peking has consistently maintained that its own nuclear capability is purely defensive and is aimed solely at breaking the nuclear monopoly of the "superpowers." The Chinese have opposed nuclear arms limitations proposals, particularly the 1968 Non-Proliferation Treaty, on the grounds that they contribute to this monopoly. Peking has refused, for example, to take a stand against France's development of independent nuclear capabilities, pending an international agreement banning all nuclear weapons.

The Indian test, however, has direct security implications for China. Peking has long looked on New Delhi as a rival in Asia, and relations between

the two cooled even further after India became a Soviet treaty partner in 1971.

The Soviet news agency Tass called the test a "peaceful explosion" and said India was "striving to keep up with world technology in the peaceful uses of nuclear explosions."

The Japanese predictably are showing dismay. Tokyo papers have denounced the test, which the Japanese are likely to view as an unsettling factor in Asian affairs.

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Palestinian Camp Shelled By Israeli Patrol Boats



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ISRAEL-LEBANON-SYRIA: Israeli naval patrol boats yesterday shelled the Palestinian refugee camp at Ar Rashidiyah, the second largest camp in Lebanon.

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Beirut reported that Lebanese troops and Palestinian guerrillas damaged one of the Israeli patrol boats. Tel Aviv, however, claimed that all boats returned safely and that there were no casualties. Initial reports of Palestinian losses state that at least 5 persons were killed and 12 were wounded.

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Lebanese authorities reported that Israeli forces fired mortar rounds into Lebanon near Mount Hermon and into border areas between Tyre and Qiryat Shemona on Friday night.

Ground fighting between Israel and Syria was light over the weekend, with only sporadic artillery and mortar fire being exchanged.

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***FRANCE:** Independent Republican Valery Giscard d'Estaing was elected President of France yesterday by a razor-thin margin.

With 95 percent of the votes counted, Giscard had won 50.7 percent and Socialist Francois Mitterrand 49.3 percent in a record turnout. Computer projections indicate that the final margin between the two candidates may be less than one percent, but French officials did not suggest last night that a recount was planned.

Giscard claimed his prize in a late-night televised speech, which he immediately repeated in English. The press is already interpreting the move as his first effort to improve the tone of French-US relations.

Mitterrand conceded at midnight. His ally, Communist party chief Georges Marchais, added that leftist deputies would immediately demand action on Giscard's promised social and economic reforms.

[Redacted]

*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State.

[Redacted]

WEST GERMANY: Chancellor Schmidt intends to name a new plenipotentiary for Berlin affairs, as part of his continuing effort to refurbish the government's image.

According to the Berlin press, Schmidt will soon appoint Dietrich Spangenberg to succeed Egon Bahr in this key post. Over the past year, West Berlin officials have felt that Bahr was not adequately defending the city's interests in negotiations with the East Germans. The appointment of Spangenberg, coupled with Schmidt's expressed intention to take a tougher line in dealing with Eastern Europe, may convince the Berliners that Schmidt will pursue his own brand of Ostpolitik.

Spangenberg, who has held the non-controversial post of state secretary in the President's office, should be able to improve relations with West Berlin Mayor Schuetz and to repair the ties between Social Democrats in West Berlin and Bonn.

[Redacted]

ISRAEL: The central committee of the ruling Labor Party yesterday overwhelmingly approved Prime Minister - designate Rabin's effort to form a coalition government with the two minor liberal parties. The coalition would have a one-vote majority in the Knesset.

During the next few days Rabin will attempt to iron out with the smaller parties the details of the arrangement, including cabinet representation. Rabin has until Friday to present his new government to President Katzir.

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*TURKEY: Prime Minister Ecevit's Republican Peoples Party announced yesterday that the four-month-old coalition government could not continue in office.

Ecevit is now conferring with the minority partner in the coalition, the right-wing National Salvation Party, whose failure to support the government last week on a crucial amnesty bill put the viability of the coalition in doubt. Formal resignation of the government would usher in a period of uncertainty, as Turkey would have to undertake a fresh search for a government under the same difficult circumstances that plagued its attempt following inconclusive parliamentary elections last fall. At that time it took the political parties three months to put together a coalition with the required majority.

The alternatives now facing the government are a minority government led by Ecevit, some kind of caretaker regime, a new coalition, or elections, which no party favors holding soon. Any of these solutions could involve a long political stalemate.

The resignation of the government will have only a limited effect on the earlier decision to reconsider lifting the ban on opium production, as all parties now favor ending the ban. A right-wing coalition, however, might be more sensitive to the implications that lifting the ban would have on relations with the US. [redacted]

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AUSTRALIA: The apparently slim margin of the Whitlam government's re-election reduces the likelihood of effective action on Labor's stalled legislative program.

Seesaw and extremely close election returns point to Labor's continued control of the House of Representatives and thus of the government. The Labor majority, however, may be trimmed from the eight-seat margin it had in the previous Parliament. Senate returns are still fragmentary, and it is uncertain whether Labor will gain control over the upper house. Whitlam's frustration with the obstructionism of the opposition-controlled Senate led him to the polls.

The chief Australian election officer says that the final composition of the House may not be known for two weeks. Australian law requires that in case of a close House race, election authorities must wait ten days for absentee ballots to come in before proceeding to a final count. The tally of votes for the Senate will be particularly complicated under the complex Australian system of preferential voting, and the final Senate lineup may not be known for a month.

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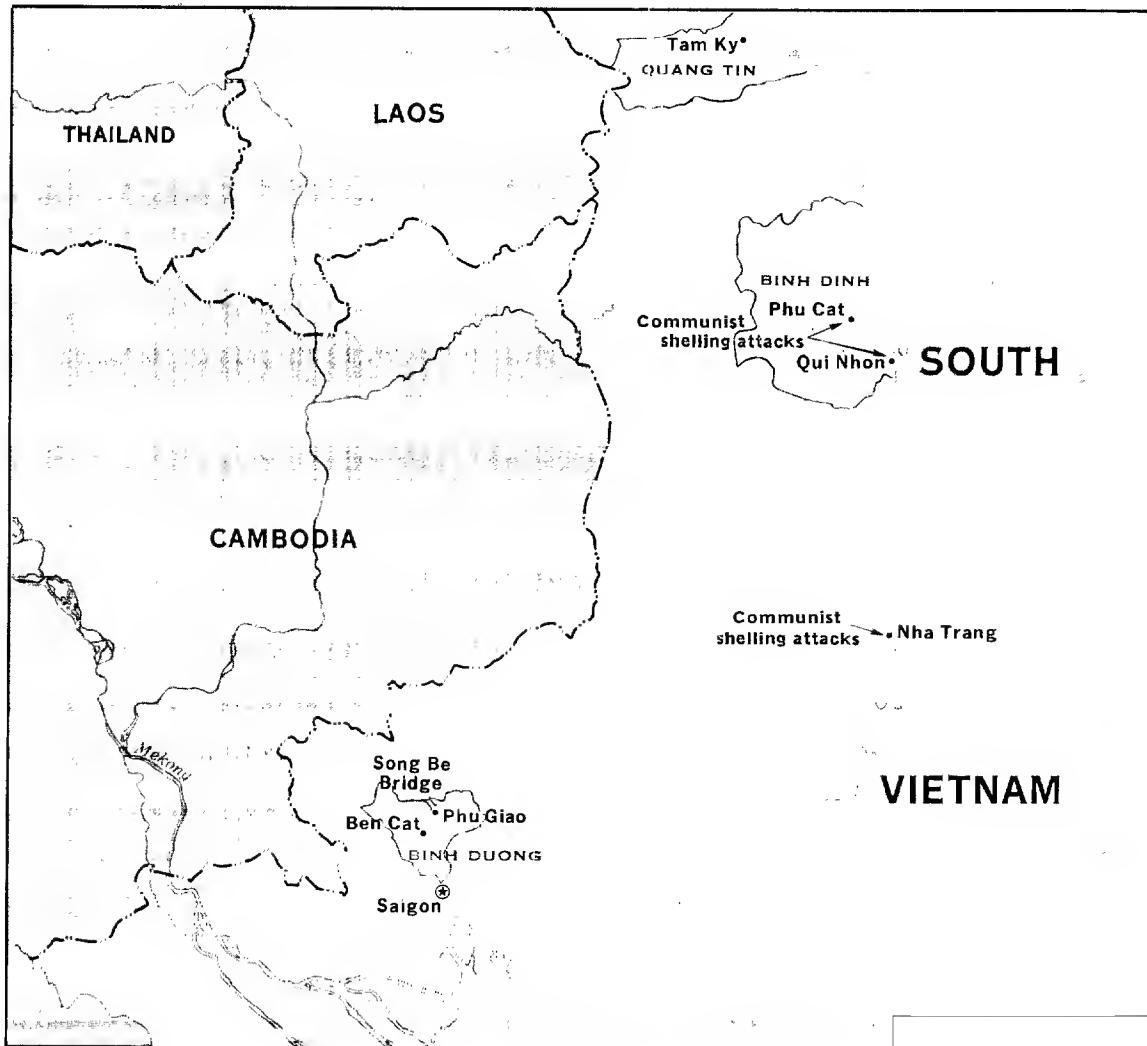
VENEZUELA: President Perez has made public the broad outlines of his plan to nationalize foreign oil companies. Although he did not mention dates, he probably envisions acting within a year.

Speaking on May 16 at the swearing-in ceremony of members of the Commission on Petroleum Reversion, which is to recommend within six months how the take-over should be implemented, Perez appeared eager to take the sting out of the prospective nationalization. He said the government intends to pay the companies "just compensation"--not greater than net book value--for their concessions and to encourage the companies to continue to participate in the Venezuelan oil industry after nationalization.

After the takeover, the government will preserve intact the structure of the three largest companies--Creole (Exxon), Shell, and Mene Grande (Gulf)--with each remaining a separate enterprise. The remaining companies will be merged into a fourth enterprise. A state holding company, distinct from the ministry of mines and hydrocarbons, will exercise control over production.

The foreign oil companies will probably provide management and other services under contract, and they are likely to retain marketing functions for a major share of Venezuela's oil production. The announced structure of the nationalized industry recognizes Venezuela's continuing need for foreign technology and seems to confirm the increasing optimism of the companies regarding their future in Venezuela.

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SOUTH VIETNAM: Communist military activity continued at a stepped-up pace over the weekend. Sharp ground fighting was reported in several areas, particularly near the capital of Tam Ky in northern Quang Tin Province. Communist gunners shelled Qui Nhon, the capital of coastal Binh Dinh Province, with rocket fire. South Vietnamese air bases at nearby Phu Cat and at Nha Trang also received rocket attacks.

Nearer Saigon, the South Vietnamese have reinforced the Ben Cat and Phu Giao sectors of Binh Duong Province with three armored and infantry task forces. They have also launched retaliatory ground and air strikes against elements of the Communist 7th and 9th Divisions, which late last week overran several outposts and villages near Ben Cat district town and threatened the important Song Be bridge leading to Phu Giao town.

The South Vietnamese air force claims to have destroyed two of the estimated five or six tanks that supported Communist ground attacks in these areas.

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Assessment of Situation in Military Region 3

Though each of the four military regions in South Vietnam has military significance, Military Region 3, which takes in the provinces surrounding Saigon to the west, north, and east, is in many ways the most important. If the Communists are ever to defeat the South Vietnamese government, they must secure a large base in the region and then move on Saigon, the political jugular of the country.

For many years, the Communists have sought to establish and expand such a base in the provinces to the north and west of the capital, where they could take advantage of favorable jungle terrain, shorter supply lines, and sanctuary in Cambodia.

At times, their control in this area has been extensive, especially in the provinces of Binh Long, Phuoc Long, and northern Binh Duong. They were still strong in this area at the time of the cease-fire in January 1973, although their influence over the populated areas elsewhere in the region had badly eroded.

Since that time, Communist strategy in this region has been essentially to protect and expand their position along the Saigon river corridor mainly with North Vietnamese units. Elsewhere in the region, they have used a mix of main force and Viet Cong units to try to weaken the government's hold through small-scale harassing attacks, sabotage, and terrorism. So far the government seems to have held its own rather well, defeating each important thrust by North Vietnamese units in and around the corridor and giving up little or none of its control of the population elsewhere in the region.

New Government Vigor

One of the most important moves by the government was the assignment of Lt. Gen. Phan Quoc Thuan as commander of Military Region 3 late last year. Thuan considered that the South Vietnamese army was not providing adequately for the defenses of the capital city--especially in view of the new heavier weapons available to Communist forces in the region.

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Thuan immediately moved to strengthen these defenses, constructing checkpoints, bunkers, and other works designed to hinder the forward movement of Communist tanks and heavy artillery pieces. General Thuan also shook up the administration in the region, forcing a number of key changes in province chiefs, division and regimental commanders, and his own staff.

Once these steps were taken, Thuan turned his attention to the Communist main force units. With few exceptions, all subsequent significant engagements in the region have been Communist reactions to Thuan's operations. In February, a South Vietnamese foray into two long-held Communist redoubts north of Saigon caught the Communists by surprise and disrupted their buildup along the Saigon river infiltration corridor.

Last month, Thuan decided to take on two North Vietnamese regiments along Route 2 at the border of Long Khanh and Phuoc Tuy provinces. He overrode the timid counsel of the local commander. The action reportedly resulted in severe North Vietnamese losses and disrupted the Communists' link between two of their important base areas.

Thuan followed up by pushing the North Vietnamese 5th Division out of Duc Hue District in Hau Nghia Province, an area which lies next to government communication routes with Tay Ninh Province to the northwest. This successful operation relieved the month-long siege of the Duc Hue ranger base.

These aggressive operations have by and large kept the Communists on the defensive. Blocked in their effort to strengthen their salient in the direction of Saigon, the Communists have turned to improving their position in Phuoc Long. Part of their logistic spine from the highlands to Military Region 3 runs through the northwestern section of this province.

The Balance of Forces

Currently there are about 39,000 Communist regulars in the region--some 13,000 more than at the time of the cease-fire. Major units committed to

Military Region 3 include three infantry divisions, an artillery division, an antiaircraft division, and nine infantry, sapper, and armor regiments.

The infiltration of armor, antiaircraft, and field artillery into the provinces north of Saigon in violation of the cease-fire provides the Communists with more firepower than ever before.

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Opposing the Communists in Military Region 3 are about 94,000 South Vietnamese troops--three infantry divisions, one armored brigade, four ranger groups, and supporting artillery and territorial force units. The South Vietnamese plan to create a brigade reserve force from the marine or airborne divisions stationed in northern South Vietnam.

The government combat forces increased by about 19,000 men in the past year and now are roughly two and a half times those of the Communists. Government superiority in numbers is partly offset by the fact that government forces are spread throughout the region.

What's Ahead

The South Vietnamese are continuing to put pressure on some of the major North Vietnamese units in Military Region 3. Last weekend, government forces began a major operation against the North Vietnamese 7th Division to the north of the capital.

This unit has a better combat record than the Communist 5th Division, and if the 7th chooses to make a stiff defense, government forces will find the going tougher. Some of the heaviest fighting in the region since the cease-fire could result.

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On balance it is unlikely that any significant change in the balance of military control by either side will result [redacted]

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The performance of Saigon's forces so far suggests the government can keep the military advantage in the region through the summer months. [redacted]

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FOR THE RECORD

Arab League: Arab foreign and defense ministers meet today in Cairo for a scheduled two-day session of the Arab League Defense Council. Among the issues to be discussed will be the Arab arms industry, the current situation in the Middle East, and cooperation between the Arabs and the European Communities. Arab League Secretary General Riyad stated yesterday that he would discuss with the Syrian delegation Damascus' request for an Arab summit meeting. [redacted]

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China: Chou En-lai's public appearances during the visit of Cypriot President Makarios this weekend indicate that he continues to be on a reduced schedule. Chou was absent from arrival ceremonies at the airport, but he greeted Makarios at the Peking guest house, conducted the initial round of substantive talks, and accompanied Makarios during a meeting with Mao. Vice Premier Teng Hsiao-ping stood in for Chou as host at a state banquet. [redacted]

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Nigeria: The Federal Military Government announced May 18 that it has concluded agreements for Nigeria to obtain 55-percent participation in the operations of all five of the country's major oil producers, retroactive to April 1. The companies have the option to buy back 75 percent of the government's share of the oil; Nigeria will still have more than 300,000 barrels per day for direct marketing. The agreements will raise Nigeria's oil revenues to more than \$9 billion annually, up from an estimated \$7.5 billion. [redacted]

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